
Green Mountain Care Board

**Vermont Hospitals
FY 2013 Budget Submissions**

Preliminary Update

July 26, 2012

Background

- The Vermont hospitals are required by law to file their budgets with the Green Mountain Care Board (GMCB) beginning this year.
- Budget information will be available on the web.
- A public hearing is being held across eleven different towns on August 14, 2012 through VIT. Staff for the GMCB will present a broad overview of the hospital system along with a look at each hospital budget. Public comment will be welcomed in writing or at the hearing.

Agenda

- **Timelines/documents**
- **Potential decision making criteria**
- **System Summary**
 - Net revenue
 - Net patient revenue
- **Next steps**

Timelines/Documents

July 26: Summary system overview

- Presents system measures to reflect overall change

Summary system profile

- provides similar measures grouped for all hospitals for a given year

Summary system trends

- provides measures over a series of years

Individual hospital narratives available

August Individual Hospital Budget staff reports

Sept 17 GMCB establish budgets

October 1 GMCB provides written decisions to hospitals

Ongoing Public & hospital testimony

- identifies strategic issues, unique perspectives
- maintains transparency

Possible GMCB decision making criteria

- Development of individual budget decisions could consider:
 - Overall net patient revenue growth
 - Amount of rate increase
 - Overall financial health
 - Benchmark assumptions
 - Prior year budget performance
 - Benchmark assumptions
 - Peer group comparisons
 - Benchmark assumptions
 - Unique local/state considerations
 - Compliance with state reporting requirements
 - Long range strategic and capital plans
 - Extent to which requested exemptions are consistent with GMCB policy and/or support state health reform goals

HOSPITAL BUDGET SYSTEM SUMMARY*

***All information provided is still under review
and subject to change**

***Budget 2013 is requested and subject to approval**

Budget

- GMCB provided budget targets for 2013:
 - Net patient revenues increase limited to 3.75%
- Certain exemptions & investments allowed at the discretion of the Board
 - Disproportionate share/provider tax net increase
 - Revenues resulting from increases in services to out of state patients
 - Physician acquisitions if they can be shown to be “budget neutral”
 - Costs related to replacing Vermont State Hospital services
 - New costs related to capital expenditures approved in 2012

Budget Request

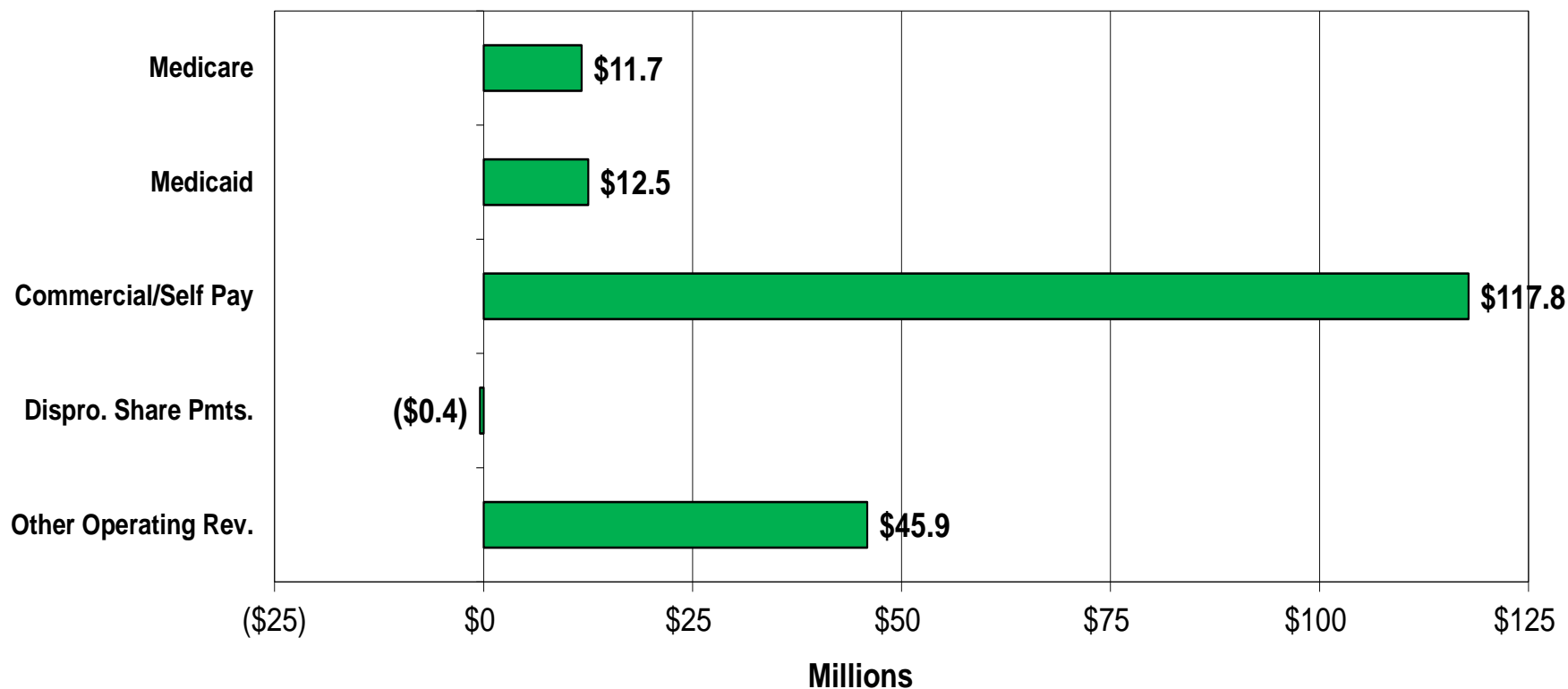
The chart below shows the approved and projected system budget for FY 12 and the proposed budget for FY 13 based on filings received from hospitals.

	Bud 12	Proj 12	Bud 13	B12-B13	B12-B13	
NET PATIENT REVENUES	\$1,982,096,644	\$1,979,110,940	\$2,123,718,898	\$141,622,254	7.1%	←
Other Operating Revenues	\$54,177,724	\$70,202,728	\$100,070,491	\$45,892,767		
TOTAL OPERATING REVENUE	\$2,036,274,368	\$2,049,313,668	\$2,223,789,390	\$187,515,021	9.2%	←
EXPENDITURES	\$1,994,066,523	\$2,002,239,194	\$2,150,550,561	\$156,484,037	7.8%	
Operating Surplus	\$42,207,845	\$47,074,474	\$73,238,829	\$31,030,984		
Non-operating Surplus	\$30,822,524	\$64,357,320	\$38,442,843	\$7,620,319		
TOTAL SURPLUS	\$73,030,369	\$111,431,794	\$111,681,672	\$38,651,303		

Net Revenue Increase by Payers and Other Sources

FY 13 budget submissions over FY 12 approved budgets

Net revenue is the combination of net patient and other operating revenue - \$187.5 million



Net Revenue Increase

Does the cost shift change this?

Net Operating Revenue Increase \$187.5 million

Amount needed:

With cost shift

\$187.5

Without cost shift

\$187.5

**Cost shifting affects the distribution of costs,
not the total costs.**

Net Revenue Increase

FY 13 budget submissions over FY 12 approved budgets

\$187.5 million in Net Revenues will purchase:

Expense Detail

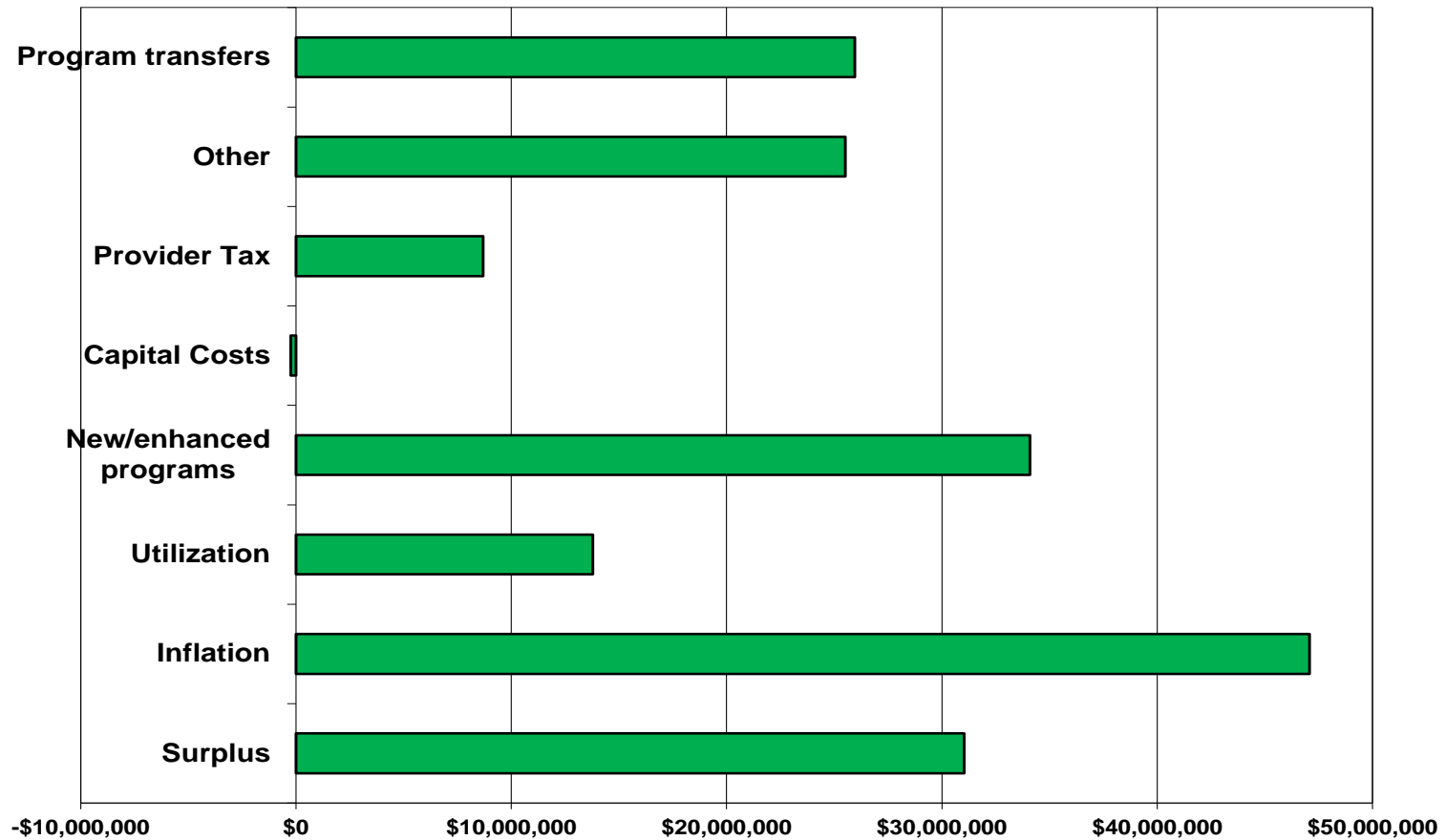
	BUD 12	BUD 13	Change	% of total	% increase
Salaries (NON-MD)	\$665,889,611	\$703,868,394	\$37,978,783	20.3%	5.7%
Fringe benefits (NON-MD)	\$221,145,052	\$236,159,526	\$15,014,475	8.0%	6.8%
Physician fees/salaries/contracts	\$300,021,523	\$335,799,166	\$35,777,643	19.1%	11.9%
Provider tax	\$110,964,886	\$119,655,750	\$8,690,864	4.6%	7.8%
Depreciation/amortization	\$106,522,446	\$110,325,645	\$3,803,199	2.0%	3.6%
Interest	\$29,186,651	\$26,189,962	(\$2,996,689)	-1.6%	-10.3%
Other operating expense	\$560,336,354	\$618,552,117	\$58,215,762	31.0%	10.4%
Total Operating Expenses	\$1,994,066,523	\$2,150,550,561	\$156,484,037	83.5%	7.8%
Surplus	\$42,207,845	\$73,238,829	\$31,030,984	16.5%	73.5%
Total Net Revenue	\$2,036,274,368	\$2,223,789,390	\$187,515,021	100.0%	9.2%

Net Revenue Increase

Cost drivers

□

Total Net Revenue Increase: \$187.5 million



Net Revenue Increase

How will the costs be paid? (Sources of funds)

Net Operating Revenue Increase \$187.5 million

Earned from:

Utilization Change \$ 41.9 million

Rate Increase \$ 91.7 million

Reimbursement Changes \$ 8.4 million

Various - parking, 340 B, etc \$ 45.5 million

Net Revenue Increase

How will the costs be paid? (Sources of funds)

Net Operating Revenue Increase	\$187.5 million
Net patient revenue increase	\$142.0 million
Earned from:	
Utilization Change	\$ 41.9 million
Rate Increase	\$ 91.7 million
Reimbursement Changes	\$ 8.4 million
Various - parking, 340 B, etc	\$ 45.5 million

Net Revenues will buy:

	B2012	B2013	Net Patient Revenue Incr	% Increase over Bud 12
Total Oper Rev	\$2,036,274,368	\$2,223,789,390	\$187,515,021	9.2%
Less: Other Oper Rev	\$54,177,724	\$100,070,491	\$45,892,767	84.7%
Net Patient Revenue	\$1,982,096,644	\$2,123,718,898	\$141,622,254	7.1%
Deduct exemptions:				
Provider tax Adjust			\$ 8,690,864	
CON's approved			\$ 3,621,941	
Phys transfers			\$ 10,204,877	
Vt. State Hospital			\$ 1,900,000	
340 B program			\$ 12,505,033	
Reform			\$ 7,086,289	
Academic Paymnts			\$ 14,323,942	
Phys Added			\$ 21,967,350	
EMR/HER			\$ 270,643	
Subtotal	Exemptions under review		\$ 80,570,940	3.1%
Deduct all other:				
Volume			\$ 12,703,294	
Inflation			\$ 47,076,111	
ICD10 Impl.			\$ 1,329,232	
Salaries/Benefits			\$ 7,116,131	
Blueprint			\$ 3,846,160	
Loss in Practice/other			\$ 765,148	
Inv. Perf. Capacity			\$ 3,077,014	
Subtotal	Other items under review		\$ 75,913,090	
	B2012	B2013		
Change in surplus	\$ 42,207,845	\$ 73,238,829	\$ 31,030,990	
Total net revenue change - all items			\$ 187,515,019	



Net patient revenue effect



% Increase if all exemptions as requested are accepted

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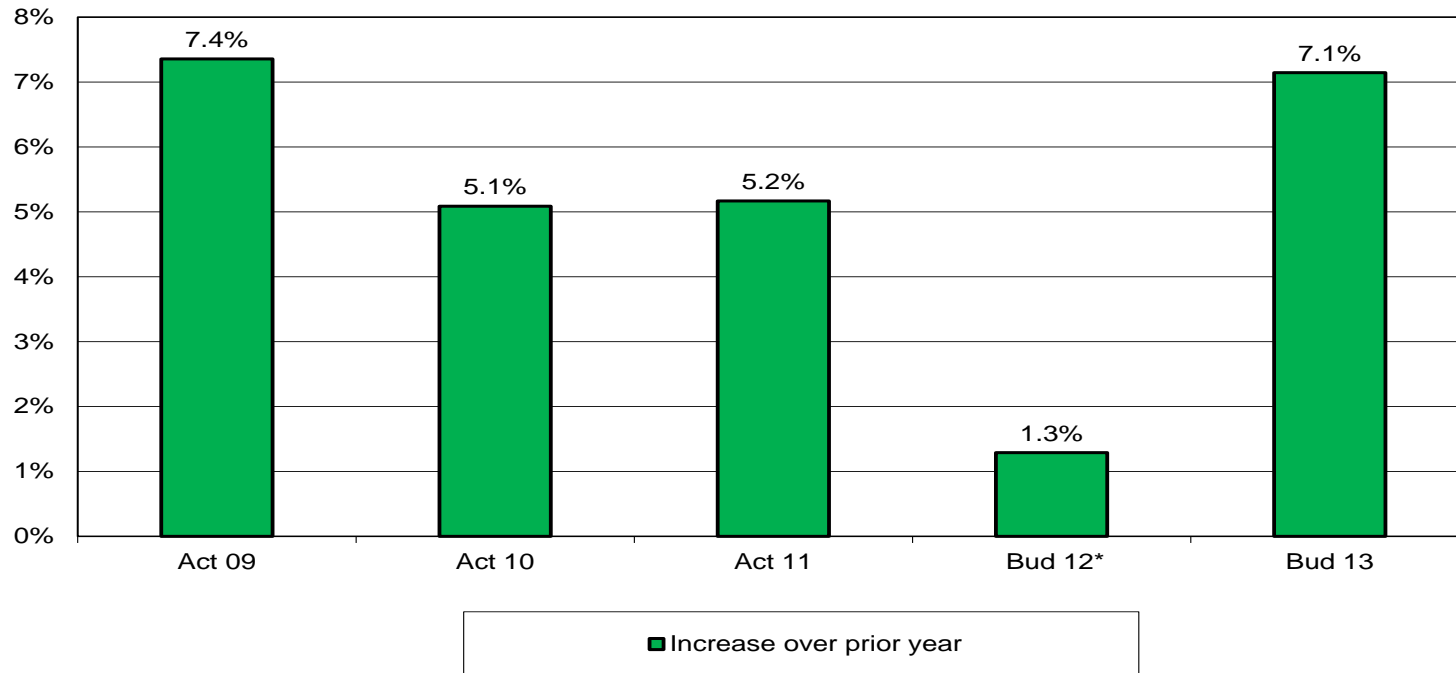
Net Patient Revenue Change Requested

This chart shows the change in net patient revenue proposed by each Vermont hospital for the FY 13 budget period when compared with approved FY 12 budgets. The requested exemptions are as reported and still under review.

Hospital	Bud12	Bud13	Change over Bud12	% Change	% Change with Requested Exemptions
Brattleboro Memorial Hospital	\$63,847,610	\$65,889,614	\$2,042,004	3.2%	2.8%
Central Vermont Medical Center	\$149,887,323	\$155,378,089	\$5,490,766	3.7%	3.2%
Copley Hospital	\$51,073,832	\$56,720,005	\$5,646,173	11.1%	6.5%
Fletcher Allen Health Care	\$944,654,713	\$1,014,716,512	\$70,061,799	7.4%	2.8%
Gifford Medical Center	\$61,031,030	\$62,965,572	\$1,934,542	3.2%	3.2%
Grace Cottage Hospital	\$17,515,866	\$18,722,593	\$1,206,727	6.9%	6.3%
Mount Ascutney Hospital	\$45,294,665	\$46,919,923	\$1,625,258	3.6%	4.1%
North Country Hospital	\$76,043,506	\$75,876,293	(\$167,213)	-0.2%	-0.2%
Northeastern VT Regional Hospital	\$58,450,144	\$61,601,200	\$3,151,056	5.4%	1.9%
Northwestern Medical Center	\$75,891,567	\$83,550,542	\$7,658,975	10.1%	5.6%
Porter Medical Center	\$61,806,287	\$68,848,517	\$7,042,230	11.4%	4.2%
Rutland Regional Medical Center	\$192,780,327	\$211,476,550	\$18,696,223	9.7%	4.0%
Southwestern VT Medical Center	\$133,111,874	\$149,179,382	\$16,067,508	12.1%	3.7%
Springfield Hospital	\$50,707,900	\$51,874,106	\$1,166,206	2.3%	1.8%
SYSTEM TOTAL	\$1,982,096,644	\$2,123,718,898	\$141,622,254	7.1%	3.1%

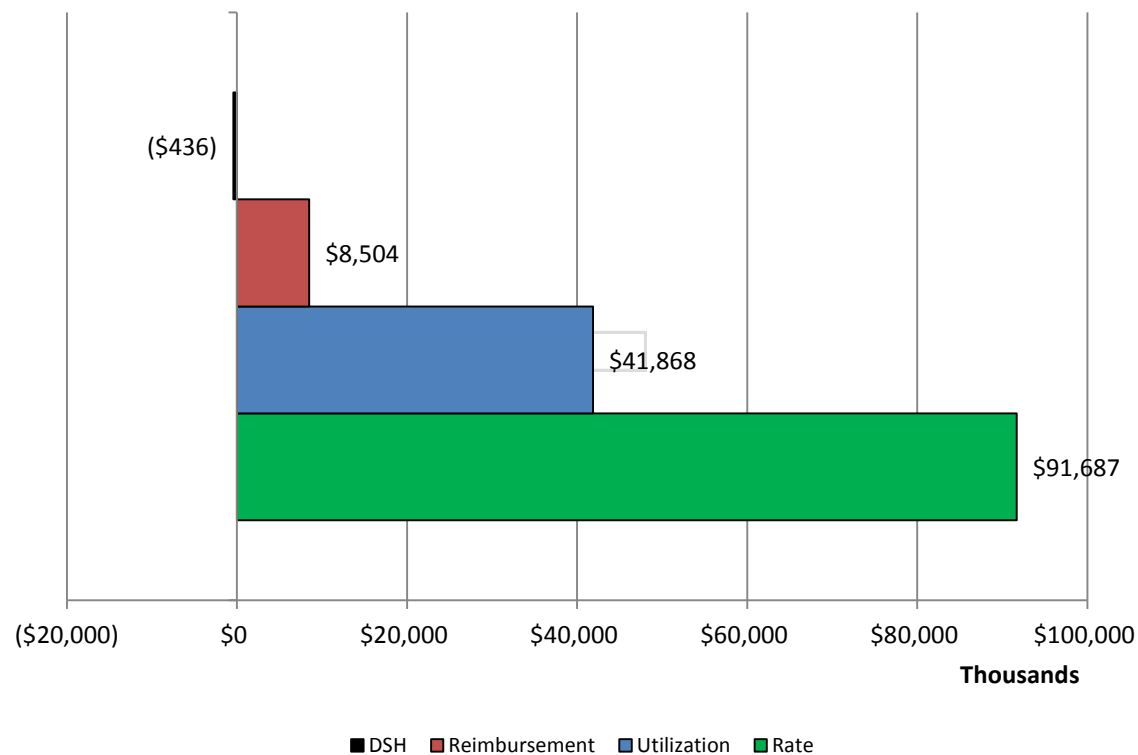
Net Patient Revenue Increase

**Vermont Hospital System
Net Patient Revenues**



*Bud 12 not adjusted for Bad Debt accounting change

Factors that will Increase Net Patient Revenues



Rates requested to earn net patient revenue

Rate Increases	Approved 2010	Approved 2011	Approved 2012	Submitted 2013	10-12 Average
Brattleboro Memorial Hospital	7.1%	6.0%	7.4%	7.5%	6.8%
Central Vermont Medical Center	6.8%	5.2%	6.0%	5.0%	6.0%
Copley Hospital	6.0%	5.5%	6.0%	3.0%	5.8%
Fletcher Allen Health Care	6.0%	5.7%	5.9%	9.4%	5.9%
Gifford Medical Center	5.8%	5.8%	7.0%	6.1%	6.2%
Grace Cottage Hospital	5.0%	5.5%	10.6%	6.5%	7.0%
Mount Ascutney Hospital	6.1%	6.5%	3.5%	7.0%	5.4%
North Country Hospital	4.0%	4.4%	5.1%	4.6%	4.5%
Northeastern VT Regional Hospital	6.0%	4.8%	7.5%	7.5%	6.1%
Northwestern Medical Center	5.2%	1.8%	6.3%	2.9%	4.4%
Porter Medical Center	6.7%	6.5%	10.3%	5.0%	7.8%
Rutland Regional Medical Center	5.5%	5.5%	9.8%	10.3%	6.9%
Southwestern VT Medical Center	5.0%	6.0%	5.5%	9.9%	5.5%
Springfield Hospital	6.1%	3.8%	5.8%	6.0%	5.2%
System weighted average	5.9%	5.5%	6.5%	8.2%	5.9%
Median	6.0%	5.6%	6.6%	6.3%	6.1%
CAH Median	6.0%	5.5%	6.5%	6.1%	6.0%

Net Patient Revenues Rates vs. Growth

Rates requested (or price increase) is 8.2%.

Growth of net patient revenues is 7.1%.

Why are they different?

Net Patient Revenues

Rates vs. Growth

The rate request increase can be thought as overall “**price change**”.

- this is a measure of price increase for each service
- all payers do not pay the same price
- it does not measure utilization change

The net patient revenue increase can be thought as overall “**growth change**”.

- this is a measure of change in income
- this includes change in price and utilization

Selected Additional Key Indicators

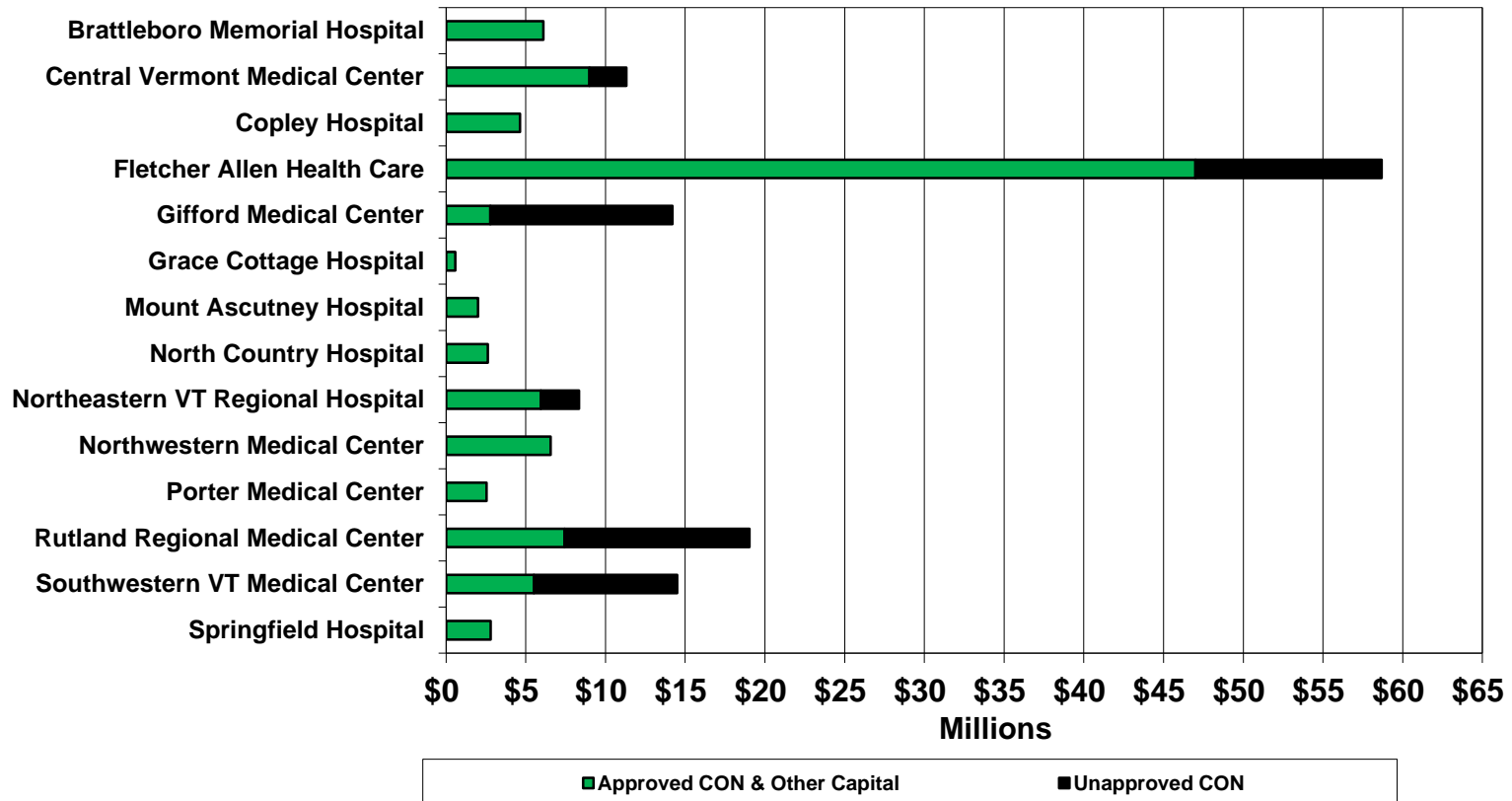
						B12-B13
	ACT 10	ACT 11	BUD 12	PROJ 12	BUD 13	% Change
Bad Debt % of Gross Revs	1.90%	1.80%	1.89%	1.85%	1.82%	-3.4%
Free Care % of Gross Revs	1.21%	1.21%	1.16%	1.18%	1.20%	3.7%
Cost per Adjusted Admission	\$10,742	\$11,093	\$11,098	\$10,864	\$11,946	7.6%
Salary per FTE	\$55,654	\$56,811	\$57,919	\$57,918	\$58,932	1.7%
FTEs per 100 Adj Discharges	6.5	6.4	6.4	6.3	6.6	3.7%
Oper. Surplus as % of Net Revs	1.9%	2.1%	2.1%	2.3%	3.3%	58.9%
Days Cash on Hand	122	130	131	137	136	3.6%
Long Term Debt to Capitalization	43.1%	41.8%	38.0%	38.4%	35.5%	-6.6%
Age of Plant	8.7	8.9	9.2	9.0	9.3	1.5%
Capital Exp. to Depreciation	110%	103%	86%	89%	96%	10.6%
Net Revenues as % of Gross	51.8%	51.1%	47.8%	47.5%	46.5%	-2.7%

Operating Surplus

	Bud13	Change over Bud12	Bud 13 Oper Margin
Brattleboro Memorial Hospital	\$318,204	\$261,461	0.5%
Central Vermont Medical Center	\$4,091,290	\$293,818	2.5%
Copley Hospital	\$1,722,894	\$98,169	3.0%
Fletcher Allen Health Care	\$40,488,413	\$23,153,029	3.8%
Gifford Medical Center	\$1,651,422	\$208,422	2.6%
Grace Cottage Hospital	\$15,829	\$12,825	0.1%
Mount Ascutney Hospital	\$1,956,174	\$1,077,139	3.9%
North Country Hospital	\$2,527,195	\$1,437,458	3.1%
Northeastern VT Regional Hospital	\$1,548,753	\$125,149	2.5%
Northwestern Medical Center	\$4,758,860	\$1,671,221	5.4%
Porter Medical Center	\$1,142,419	\$618,274	1.6%
Rutland Regional Medical Center	\$7,667,215	\$1,532,454	3.5%
Southwestern VT Medical Center	\$4,712,663	\$451,570	3.1%
Springfield Hospital	\$637,500	\$90,000	1.2%
SYSTEM TOTAL	\$73,238,832	\$31,030,990	3.3%
Median			2.8%

Capital Budgets

FY 2013 Amount of Capital & Unapproved CONs



Capital Indicators

FISCAL YEAR 2013 BUDGET						
Provider	Age of Plant	Age of Plant Building	Age of Plant Equipment	Long Term Debt to Capitalization	Debt Per Staffed Bed	Net Property Plant & Equipment Per Staffed Bed
Brattleboro Memorial Hospital	9.3	12.2	7.4	21.7%	\$407,782	\$528,599
Central Vermont Hospital	8.5	12.2	5.6	26.5%	\$339,178	\$287,911
Copley Hospital	11.1	18.5	8.6	15.2%	\$373,516	\$468,229
Fletcher Allen Health Care	9.3	12.3	6.9	40.7%	\$1,336,805	\$933,620
Gifford Medical Center	9.2	9.8	8.6	35.1%	\$495,246	\$535,708
Grace Cottage Hospital	6.7	18.0	4.1	28.6%	\$282,178	\$248,981
Mount Ascutney Hospital	8.3	24.6	0.0	48.0%	\$352,649	\$213,779
North Country Hospital	7.6	8.9	6.8	36.6%	\$1,432,889	\$1,368,519
Northeastern VT Regional Hospital	12.8	13.8	11.8	34.0%	\$866,238	\$996,793
Northwestern Medical Center	10.6	17.3	7.6	13.5%	\$291,962	\$402,841
Porter Medical Center	5.5	9.4	3.8	34.5%	\$891,514	\$781,033
Rutland Regional Medical Center	9.3	11.9	8.0	29.5%	\$755,146	\$574,944
Southwestern Vermont Medical Center	12.2	17.4	9.3	41.0%	\$547,634	\$292,646
Springfield Hospital	13.2	14.7	12.1	31.3%	\$458,372	\$563,099
SYSTEM	9.3	12.7	7.0	35.5%	\$777,152	\$613,053
MEDIAN	9.3	13.1	7.5	32.7%	\$476,809	\$532,153
MEDIAN - Critical Access Hospitals	8.8	14.3	7.7	34.2%	\$476,809	\$549,403

Next steps

- GMCB will accept and review public comments
- GMCB will review individual budgets & narratives
- GMCB will review capital plans
- GMCB will discuss budget with hospitals
- GMCB will establish budgets for FY 2013 by Sept 17th

Documents

- To access GMCB reports and hospital budget information on the web:

http://gmcboard.vermont.gov/resources_reports

- To provide public comment on the web:

[*http://gmcboard.vermont.gov/contact-us*](http://gmcboard.vermont.gov/contact-us)

- Mail comments to:

Green Mountain Care Board
89 Main Street
Montpelier, Vt. 05620

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